
City of Allen Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Allen Park, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Allen Park, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Allen Park Housing Commission, which represents approximately 22 percent and 11 percent of the assets and revenue, respectively, of the aggregate discretely presented component units. The City of Allen Park Housing Commission's net position is \$1,806,375 compared to a deficit of \$3,713,425 in the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Council
City of Allen Park, Michigan

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Allen Park, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moreau, PLLC

November 27, 2019

As management of the City of Allen Park, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2019.

Financial Highlights

- The General Fund reported expenditures and transfers out in excess of revenue of \$541,236, resulting in fund balance decreasing from \$4,580,571 to \$4,039,335.
- Property taxes revenue in the General Fund increased slightly by \$347,966 to \$12,940,671.
- Included again in the General Fund was a transfer of approximately \$1.666 million to subsidize debt service for the Southfield Lease Properties Fund and \$500,000 to the local road construction fund. There was also a transfer from the General Fund to the Capital Projects Fund for \$766,627 to fund the 2018-2019 approved projects in the five-year capital plan.
- The millage increase approved by the residents of Allen Park in August 2013 for public safety added \$4,875,934 to help offset the police and fire budgets.
- Grants for parks, fire, water, and sewer from Wayne County, Michigan; FEMA; state; and federal sources totaled approximately \$421,054.
- The self-insurance healthcare plan came in under budget. With that savings, the General Fund contributed \$500,000 to the Retiree Healthcare Fund.
- The City purchased 12.3 acres of vacant property from Baker College, the former Buhl Field site (Outer Drive) in January 2019, to secure space for a future department of public works location.
- In May 2019, Standard & Poor's (S&P) upgraded the city bond rating again from BBB+ to A+.
- All labor contracts were settled through June 30, 2019.
- Besides the purchase of property, the capital projects in 2018-2019 included new equipment for the DPW, park updates, a new roof on the Court, doors and windows at the fire station, and the second installment payments for the sewer vacor and new fire truck.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Brownfield Redevelopment Authority, a legally separate Downtown Development Authority, and a legally separate Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- Governmental funds - The majority of the City's basic services, including the governmental funds, not only focus on how cash and other financial assets can readily be converted to cash flow in and out, but also the year-end balances that are available to finance future city programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the difference between the two methods of reporting.
- Proprietary funds - The City reports the water and sewer activity.
- Fiduciary funds - These funds are used to account for resources held for the benefit of parties outside the government. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance city operations.

City of Allen Park, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

The tables below show the net position and changes in net position as of June 30, 2019 and 2018. Following the tables is an explanation of the reasons for significant fluctuations. The adjustments described above have been reflected in the tables below:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets:						
Cash and investments	\$ 7,390,549	\$ 14,108,770	\$ 2,735,774	\$ 1,891,234	\$ 10,126,323	\$ 16,000,004
Receivables	1,978,165	2,109,384	5,443,030	6,413,804	7,421,195	8,523,188
Other assets	479,208	476,329	1,827,627	3,211,987	2,306,835	3,688,316
Capital assets	35,410,903	37,721,237	62,399,518	58,223,674	97,810,421	95,944,911
Total assets	45,258,825	54,415,720	72,405,949	69,740,699	117,664,774	124,156,419
Deferred Outflows of Resources	7,575,207	2,722,878	507,161	138,809	8,082,368	2,861,687
Liabilities						
Current liabilities	1,755,245	2,742,078	1,063,560	1,031,627	2,818,805	3,773,705
Noncurrent liabilities	88,334,439	89,926,257	27,493,537	25,980,163	115,827,976	115,906,420
Total liabilities	90,089,684	92,668,335	28,557,097	27,011,790	118,646,781	119,680,125
Deferred Inflows of Resources	2,131,641	2,373,163	686,195	1,401,485	2,817,836	3,774,648
Net Position						
Net investment in capital assets	30,343,473	32,472,205	41,621,888	38,205,025	71,965,361	70,677,230
Restricted	3,961,043	1,018,510	728,173	1,198,704	4,689,216	2,217,214
Unrestricted	(73,691,809)	(71,393,615)	1,319,757	2,062,504	(72,372,052)	(69,331,111)
Total net position	<u>\$ (39,387,293)</u>	<u>\$ (37,902,900)</u>	<u>\$ 43,669,818</u>	<u>\$ 41,466,233</u>	<u>\$ 4,282,525</u>	<u>\$ 3,563,333</u>

City of Allen Park, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 5,485,127	\$ 4,591,846	\$ 10,807,867	\$ 10,043,272	\$ 16,292,994	\$ 14,635,118
Operating grants	3,963,704	3,761,159	-	68,653	3,963,704	3,829,812
Capital grants	262,757	122,500	-	-	262,757	122,500
General revenue:						
Property taxes	17,198,164	16,743,803	1,619,734	2,219,075	18,817,898	18,962,878
Intergovernmental	3,809,567	3,537,204	-	-	3,809,567	3,537,204
Investment earnings	285,636	112,218	61,998	51,841	347,634	164,059
Other revenue	1,031,620	1,998,153	-	1,571,031	1,031,620	3,569,184
Total revenue	32,036,575	30,866,883	12,489,599	13,953,872	44,526,174	44,820,755
Expenses						
General government	6,769,911	67,338	-	-	6,769,911	67,338
District court	1,675,549	1,739,039	-	-	1,675,549	1,739,039
Public safety	13,136,858	17,869,697	-	-	13,136,858	17,869,697
Public works	8,162,580	8,133,948	-	-	8,162,580	8,133,948
Recreation and culture	1,927,354	1,943,445	-	-	1,927,354	1,943,445
Debt service	1,848,716	1,629,431	-	-	1,848,716	1,629,431
Payment to bond refunding escrow agent	-	200,000	-	-	-	200,000
Water and Sewer Fund	-	-	8,909,122	9,313,234	8,909,122	9,313,234
Total expenses	33,520,968	31,582,898	8,909,122	9,313,234	42,430,090	40,896,132
Special and extraordinary items	-	-	(1,376,892)	-	(1,376,892)	-
Change in Net Position	(1,484,393)	(716,015)	2,203,585	4,640,638	719,192	3,924,623
Net Position - Beginning of year, as restated	(37,902,900)	(37,186,885)	41,466,233	36,825,595	3,563,333	(361,290)
Net Position - End of year	<u>\$ (39,387,293)</u>	<u>\$ (37,902,900)</u>	<u>\$ 43,669,818</u>	<u>\$ 41,466,233</u>	<u>\$ 4,282,525</u>	<u>\$ 3,563,333</u>

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. The City's financial position is the product of a number of transactions, including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The City's deficit in the governmental activities increased by \$1,484,393 to a deficit of \$39,387,293. There were no significant factors for the decrease in net position.

Business-type Activities

The City increased net position by \$2,203,585 in its business-type activities for the fiscal year ended June 30, 2019. Although there were no significant changes in its operations during the current fiscal year, the City continues to follow the capital plan created four years ago and has invested another \$1.8 million in infrastructure and equipment upgrades to the water and sewer system during the 2019 fiscal year.

Financial Analysis of Individual Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$8,211,702, a decrease of \$6,004,947 in comparison with the prior year. This decrease is mostly attributable to the call and retirement of the remaining 2009 A&B bonds (\$9,070,000) from the former Southfield Lease Properties. The remaining fund balance amounts are either not in a spendable form (i.e., inventories and prepaid insurance), are restricted as to their use by outside third parties or enabling legislation, have been committed to a specific use by City Council, or have been assigned by management.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$3,560,127, while total fund balance was \$4,039,335. As a measure of the General Fund's liquidity and financial stability, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 17.03 percent of total General Fund expenditures, while total fund balance was about the same amount.

Total fund balance of the City's General Fund decreased by \$541,236 during the fiscal year. Notable items affecting fund balance include the following:

- The City expensed \$350,000 more than anticipated to defend itself from a lawsuit brought on by the retirees of the City.

General Fund Budgetary Highlights

Purchase of 12-acre site on Outer Drive for future public works department.

Call and defeasance of 2009 A&B studio bonds.

Capital Assets and Debt Administration

The City of Allen Park, Michigan's continued investment in capital assets for its governmental and business-type activities, as of June 30, 2019, amounts to \$97,810,421 (net of accumulated depreciation).

More detailed information about capital assets and debt can be found in Notes 5 and 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The major sources of revenue for the City are property taxes and state-shared revenue. While the City's taxable property values have decreased or remained relatively flat over the last several years, the City continues to work diligently to cut operating costs as expenditures continue to increase.

Although taxable values have stabilized in southeastern Michigan, it is anticipated the property values will be small or flat (+0.5 to 1.5 percent) in the next fiscal year.

Also, the following future efforts are in progress to continue to move the City forward:

- In August 2013, voters approved a property tax millage of 6.75 mills for police and fire services, which replace the 3.5 mill public safety assessment passed in the prior year. The millage generated \$4,875,934 in 2019. This millage expires in December 2022.

- On November 3, 2015, the voters of Allen Park approved a 10-year 1.9015 street improvement millage, which generates about \$1.4 million per year for a pay-as-you-go street improvement program. The 10-year construction began in the spring of 2016. Next spring, portions of Park Avenue, Robinson, and Meyer are slated for replacement.
- In December 2019, the City plans to call and refinance the remaining 2005 Water and Sewer bonds (\$1,780,000) and DDA bonds (2,140,000). This cost avoidance move will reduce liability to the residents of Allen Park by approximately \$200,000 in future interest payments.
- The City hopes to construct a new DPS facility in 2020 without increasing the debt burden on the taxpayers. This will be accomplished with existing funds, a budgeted loan from Comerica, and the sale of excise property.
- Capital outlay for 2019-2020 includes \$1,771,115 in capital outlay from the Capital Projects Fund. This figure includes installment purchase payments, as well as capital.
- A total of \$3 million in capital improvements is budgeted for 2020-2021 in the Water and Sewer Fund, which includes a new water main on Meyer (\$828,000), sewer lining (\$200,000), Laurence Lift Station replacement, \$525,000 for water meter replacement, and \$190,000 for a Sewer Camera Truck.

Requests for Further Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. The entire budget is available for review on the city website (www.cityofallenpark.org). For additional questions about this report or additional information, requests should be directed to the city administrator at (313) 928-1883 or mailed to 15915 Southfield Road, Allen Park, MI 48101.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 7,390,549	\$ 2,735,774	\$ 10,126,323	\$ 2,116,857
Receivables:				
Property taxes receivable	-	936,689	936,689	-
Customer receivables	-	2,506,341	2,506,341	15,725
Other receivables	136,303	-	136,303	-
Due from other governments	1,841,862	2,000,000	3,841,862	-
Inventory	-	207,148	207,148	-
Prepaid expenses and other assets	79,661	3,473	83,134	42,410
Restricted assets (Note 4)	399,547	1,617,006	2,016,553	-
Capital assets:				
Assets not subject to depreciation	1,224,013	875,055	2,099,068	152,343
Assets subject to depreciation - Net	34,186,890	61,524,463	95,711,353	6,080,655
Total assets	45,258,825	72,405,949	117,664,774	8,407,990
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	71,381	4,209	75,590	21,252
Deferred pension costs (Note 11)	6,805,079	425,679	7,230,758	-
Deferred OPEB costs (Note 12)	698,747	77,273	776,020	-
Total deferred outflows of resources	7,575,207	507,161	8,082,368	21,252
Liabilities				
Accounts payable	683,665	864,372	1,548,037	35,949
Due to other governmental units	2,475	-	2,475	-
Refundable deposits, bonds, etc.	25,254	-	25,254	20,689
Accrued liabilities and other	913,430	199,188	1,112,618	84,289
Unearned revenue	130,421	-	130,421	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	189,322	2,703	192,025	2,278
Current portion of bonds and leases payable (Note 7)	859,772	2,033,225	2,892,997	890,000
Due in more than one year:				
Compensated absences (Note 7)	1,703,890	24,331	1,728,221	12,912
Bonds and leases payable - Net of current portion (Note 7)	24,856,338	19,633,238	44,489,576	11,096,550
Net pension liability (Note 11)	21,896,881	1,506,130	23,403,011	-
Net OPEB liability (Note 12)	38,828,236	4,293,910	43,122,146	-
Total liabilities	90,089,684	28,557,097	118,646,781	12,142,667
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	-	450,463	450,463	-
Deferred OPEB cost reductions (Note 12)	2,131,641	235,732	2,367,373	-
Total deferred inflows of resources	2,131,641	686,195	2,817,836	-
Net Position				
Net investment in capital assets	30,343,473	41,621,888	71,965,361	4,147,998
Restricted:				
Roads	2,088,962	-	2,088,962	-
Debt service	256,764	728,173	984,937	-
Police	124,931	-	124,931	-
Rubbish	124,671	-	124,671	-
Building	1,100,841	-	1,100,841	-
Library	264,874	-	264,874	-
Unrestricted	(73,691,809)	1,319,757	(72,372,052)	(7,861,423)
Total net position	\$ (39,387,293)	\$ 43,669,818	\$ 4,282,525	\$ (3,713,425)

City of Allen Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,769,911	\$ 1,588,848	\$ 213,293	\$ 252,777
District court	1,675,549	2,183,378	61,270	-
Public safety	13,136,858	1,234,136	443,923	-
Public works	8,162,580	14,588	3,245,218	-
Recreation and culture	1,927,354	464,177	-	9,980
Interest on long-term debt	1,848,716	-	-	-
Total governmental activities	33,520,968	5,485,127	3,963,704	262,757
Business-type activities - Water and Sewer Fund	8,909,122	10,807,867	-	-
Total primary government	\$ 42,430,090	\$ 16,292,994	\$ 3,963,704	\$ 262,757
Component units:				
Brownfield Redevelopment Authority	\$ 2,122,737	\$ -	\$ -	\$ -
Downtown Development Authority	952,581	2,050	-	-
Housing Commission	487,076	253,558	109,570	34,462
Total component units	\$ 3,562,394	\$ 255,608	\$ 109,570	\$ 34,462
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Special items (Note 16)				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,714,993)	\$ -	\$ (4,714,993)	\$ -
569,099	-	569,099	-
(11,458,799)	-	(11,458,799)	-
(4,902,774)	-	(4,902,774)	-
(1,453,197)	-	(1,453,197)	-
(1,848,716)	-	(1,848,716)	-
(23,809,380)	-	(23,809,380)	-
-	1,898,745	1,898,745	-
(23,809,380)	1,898,745	(21,910,635)	-
-	-	-	(2,122,737)
-	-	-	(950,531)
-	-	-	(89,486)
-	-	-	(3,162,754)
17,198,164	1,619,734	18,817,898	2,892,823
3,809,567	-	3,809,567	434,615
285,636	61,998	347,634	11,219
555,158	-	555,158	-
1,959	-	1,959	-
474,503	-	474,503	40,557
22,324,987	1,681,732	24,006,719	3,379,214
-	(1,376,892)	(1,376,892)	-
(1,484,393)	2,203,585	719,192	216,460
(37,902,900)	41,466,233	3,563,333	(3,929,885)
\$ (39,387,293)	\$ 43,669,818	\$ 4,282,525	\$ (3,713,425)

Governmental Funds
Balance Sheet

June 30, 2019

	Major Debt Service Fund			Total Governmental Funds
	General Fund	Southfield Lease Properties Fund	Nonmajor Funds	
Assets				
Cash and investments	\$ 3,209,434	\$ -	\$ 4,181,115	\$ 7,390,549
Receivables:				
Other receivables	136,303	-	-	136,303
Due from other governments	1,265,129	-	576,733	1,841,862
Prepaid expenses and other assets	79,661	-	-	79,661
Restricted assets	399,547	-	-	399,547
Total assets	\$ 5,090,074	\$ -	\$ 4,757,848	\$ 9,847,922
Liabilities				
Accounts payable	\$ 282,542	\$ -	\$ 401,123	\$ 683,665
Due to other governmental units	2,475	-	-	2,475
Refundable deposits, bonds, etc.	-	-	25,254	25,254
Accrued liabilities and other	697,413	-	28,683	726,096
Unearned revenue	-	-	130,421	130,421
Total liabilities	982,430	-	585,481	1,567,911
Deferred Inflows of Resources - Unavailable revenue	68,309	-	-	68,309
Total liabilities and deferred inflows of resources	1,050,739	-	585,481	1,636,220
Fund Balances				
Nonspendable	79,661	-	-	79,661
Restricted:				
Roads	-	-	2,088,962	2,088,962
Police	-	-	124,931	124,931
Debt service	399,547	-	256,764	656,311
Building	-	-	1,100,841	1,100,841
Library	-	-	264,874	264,874
Rubbish	-	-	124,671	124,671
Assigned - Capital projects	1,000,000	-	211,324	1,211,324
Unassigned	2,560,127	-	-	2,560,127
Total fund balances	4,039,335	-	4,172,367	8,211,702
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,090,074	\$ -	\$ 4,757,848	\$ 9,847,922

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 8,211,702
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	35,410,903
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	68,309
Bonds payable, including deferred charges on bond refundings, and capital lease obligations are not due and payable in the current period and are not reported in the funds	(25,644,729)
Accrued interest is not due and payable in the current period and is not reported in the funds	(187,334)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,893,212)
Pension benefits	(15,091,802)
Retiree healthcare benefits	(40,261,130)
Net Position of Governmental Activities	<u>\$ (39,387,293)</u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	Major Debt Service Fund			Total Governmental Funds
	General Fund	Southfield Lease Properties Fund	Nonmajor Funds	
Revenue				
Property taxes	\$ 12,940,671	\$ -	\$ 4,257,493	\$ 17,198,164
Intergovernmental:				
Federal grants	136,838	-	1,217	138,055
State and local sources	3,758,690	-	3,666,649	7,425,339
Charges for services	3,388,839	-	1,485,029	4,873,868
Fines and forfeitures	2,183,378	-	196,603	2,379,981
Licenses and permits	592,728	-	-	592,728
Investment income	110,282	162,229	13,125	285,636
Other revenue	115,399	-	420,374	535,773
Total revenue	23,226,825	162,229	10,040,490	33,429,544
Expenditures				
Current services:				
General government	5,790,919	-	644,586	6,435,505
District court	1,675,549	-	-	1,675,549
Public safety	10,100,704	-	214,498	10,315,202
Public works	1,716,559	-	5,008,478	6,725,037
Recreation and culture	1,044,217	-	629,398	1,673,615
Capital outlay	10,495	-	1,007,128	1,017,623
Debt service:				
Principal	330,000	9,070,000	414,556	9,814,556
Interest and fiscal charges	240,110	1,371,148	407,899	2,019,157
Total expenditures	20,908,553	10,441,148	8,326,543	39,676,244
Excess of Revenue Over (Under) Expenditures	2,318,272	(10,278,919)	1,713,947	(6,246,700)
Other Financing Sources (Uses)				
Transfers in	-	1,666,432	1,266,627	2,933,059
Transfers out	(2,933,059)	-	-	(2,933,059)
Issuance of refunding bonds	2,170,000	-	4,540,000	6,710,000
Debt premium	113,680	-	307,658	421,338
Payment to bond refunding escrow agent	(2,211,629)	-	(4,679,456)	(6,891,085)
Sale of capital assets	1,500	-	-	1,500
Total other financing (uses) sources	(2,859,508)	1,666,432	1,434,829	241,753
Net Change in Fund Balances	(541,236)	(8,612,487)	3,148,776	(6,004,947)
Fund Balances - Beginning of year	4,580,571	8,612,487	1,023,591	14,216,649
Fund Balances - End of year	<u>\$ 4,039,335</u>	<u>\$ -</u>	<u>\$ 4,172,367</u>	<u>\$ 8,211,702</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (6,004,947)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,508,589
Depreciation expense	(4,819,382)
Net book value of assets disposed of	459
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(25,222)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(7,131,338)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	16,705,641
Interest expense is recognized in the government-wide statements as it accrues	170,441
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(2,888,634)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,484,393)</u></u>

Proprietary Fund
Statement of Net Position

June 30, 2019

	Water and Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 2,735,774
Receivables:	
Property taxes receivable	936,689
Customer receivables	2,506,341
Due from other governments	500,000
Inventory	207,148
Prepaid expenses and other assets	3,473
Restricted assets (Note 4)	<u>1,617,006</u>
Total current assets	8,506,431
Noncurrent assets:	
Capital assets: (Note 5)	
Assets not subject to depreciation	875,055
Assets subject to depreciation - Net	61,524,463
Due from other governments	<u>1,500,000</u>
Total noncurrent assets	<u>63,899,518</u>
Total assets	72,405,949
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	4,209
Deferred pension costs	425,679
Deferred OPEB costs	<u>77,273</u>
Total deferred outflows of resources	507,161
Liabilities	
Current liabilities:	
Accounts payable	864,372
Accrued liabilities and other	199,188
Compensated absences (Note 7)	2,703
Current portion of bonds and leases payable (Note 7)	<u>2,033,225</u>
Total current liabilities	3,099,488
Noncurrent liabilities:	
Compensated absences (Note 7)	24,331
Net pension liability	1,506,130
Net OPEB liability	4,293,910
Bonds and leases payable - Net of current portion (Note 7)	<u>19,633,238</u>
Total noncurrent liabilities	<u>25,457,609</u>
Total liabilities	28,557,097
Deferred Inflows of Resources	
Deferred pension cost reductions	450,463
Deferred OPEB cost reductions	<u>235,732</u>
Total deferred inflows of resources	<u>686,195</u>
Net Position	
Net investment in capital assets	41,621,888
Restricted - Debt service	728,173
Unrestricted	<u>1,319,757</u>
Total net position	<u><u>\$ 43,669,818</u></u>

Proprietary Fund
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Operating Revenue	
Sale of water	\$ 5,314,130
Sewage disposal charges	5,050,227
Other sales to customers	33,086
Interest and penalty charges	<u>410,424</u>
Total operating revenue	10,807,867
Operating Expenses	
Cost of water	2,257,003
Cost of sewage treatment	2,075,168
Other operating and maintenance costs	1,610,414
Billing and administrative costs	324,943
Depreciation	<u>1,975,858</u>
Total operating expenses	<u>8,243,386</u>
Operating Income	2,564,481
Nonoperating Revenue (Expense)	
Property tax revenue	1,619,734
Investment income	61,998
Interest expense	<u>(665,736)</u>
Total nonoperating revenue	1,015,996
Special Items (Note 16)	<u>(1,376,892)</u>
Change in Net Position	2,203,585
Net Position - Beginning of year	<u>41,466,233</u>
Net Position - End of year	<u><u>\$ 43,669,818</u></u>

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 10,884,276
Receipts from interfund services and reimbursements	438,610
Payments to suppliers	(5,722,028)
Payments to employees and fringes	<u>(1,347,842)</u>
Net cash provided by operating activities	4,253,016
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	540,000
Property taxes restricted for debt items	1,575,489
Purchase of capital assets	(2,466,254)
Principal and interest paid on capital debt	(3,206,215)
Special item - Restricted cash received on transfer of asset	<u>504,808</u>
Net cash used in capital and related financing activities	(3,052,172)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>61,998</u>
Net Increase in Cash	1,262,842
Cash - Beginning of year	<u>3,089,938</u>
Cash - End of year	<u>\$ 4,352,780</u>
Classification of Cash	
Cash and investments	\$ 2,735,774
Restricted cash	<u>1,617,006</u>
Total cash	<u>\$ 4,352,780</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 2,564,481
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,975,858
Changes in assets and liabilities:	
Receivables	576,409
Due to and from other funds	438,610
Inventories	(79,068)
Prepaid and other assets	30
Accounts payable	19,475
Net pension or OPEB liability	(142,482)
Deferrals related to pension or OPEB	(1,079,433)
Accrued and other liabilities	<u>(20,864)</u>
Total adjustments	<u>1,688,535</u>
Net cash provided by operating activities	<u>\$ 4,253,016</u>

Proprietary Fund
Statement of Cash Flows (Continued)

Year Ended June 30, 2019

Noncash Capital and Related Financing Activities - On September 27, 2018, the Downriver Sewage Disposal System was transferred to Downriver Utility Wastewater Authority (DUWA). As a result of this transfer, the City reduced its investment in joint ventures to zero. The loss on the transfer of assets of \$1,376,892 was reported as a special item in the Water and Sewer Fund. In order to fund the transfer, and to refund the 2007D series bonds, DUWA issued debt on behalf of the City in the amount of \$4,528,352. This debt issuance and related capital asset activity is a noncash capital and related financing activity. There was also a decrease in the City's debt of \$229,647 due to a decrease in the City's allocation of the DUWA debt due to a decrease in the City's sewage flow compared to the total sewage flow of the system. Refer to Note 16 for additional information.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2019

	<u>Pension and Other Employee Benefit Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,438,181	\$ 285,639
Investments:		
Treasury bonds	6,689,490	-
Agency securities	1,030,651	-
Other fixed income	199,459	-
Mutual funds - Fixed income	4,845,434	-
Mortgage securities	524,017	-
Stocks	12,309,703	-
Corporate bonds	12,136,356	-
ETF - Equity	11,524,227	-
Mutual funds - Equity	34,359,815	-
Receivables - Accrued interest	176,150	-
Total assets	<u>85,233,483</u>	<u>\$ 285,639</u>
Liabilities		
Accounts payable	-	\$ 15,356
Due to other governmental units	-	100
Accrued liabilities and other	-	270,183
Total liabilities	<u>-</u>	<u>\$ 285,639</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 85,233,483</u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	<u>Pension and Other Employee Benefit Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 2,721,436
Net decrease in fair value of investments	(7,786,517)
Investment-related expenses	<u>(120,917)</u>
Total investment loss	(5,185,998)
Contributions:	
Employer	5,783,479
Employee	<u>465,864</u>
Total contributions	<u>6,249,343</u>
Total additions	1,063,345
Deductions	
Benefit payments	9,957,441
Administrative expenses	<u>36,170</u>
Total deductions	<u>9,993,611</u>
Net Decrease in Net Position Held in Trust	(8,930,266)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>94,163,749</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 85,233,483</u>

Component Units
Statement of Net Position

June 30, 2019

	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission - December 31, 2018	Total
Assets				
Cash and investments	\$ 848,869	\$ 1,189,297	\$ 78,691	\$ 2,116,857
Receivables	-	-	15,725	15,725
Prepaid expenses and other assets	23,000	-	19,410	42,410
Capital assets:				
Assets not subject to depreciation	-	84,293	68,050	152,343
Assets subject to depreciation - Net	-	4,392,229	1,688,426	6,080,655
Total assets	871,869	5,665,819	1,870,302	8,407,990
Deferred Outflows of Resources - Deferred charges on bond refunding	21,252	-	-	21,252
Liabilities				
Accounts payable	100	8,192	27,657	35,949
Refundable deposits, bonds, etc.	-	-	20,689	20,689
Accrued liabilities and other	50,993	32,905	391	84,289
Noncurrent liabilities:				
Due within one year:				
Compensated absences	-	-	2,278	2,278
Current portion of bonds and leases payable	580,000	310,000	-	890,000
Due in more than one year:				
Compensated absences	-	-	12,912	12,912
Bonds and leases payable - Net of current portion	9,321,550	1,775,000	-	11,096,550
Total liabilities	9,952,643	2,126,097	63,927	12,142,667
Net Position (Deficit)				
Net investment in capital assets	-	2,391,522	1,756,476	4,147,998
Unrestricted	(9,059,522)	1,148,200	49,899	(7,861,423)
Total net (deficit) position	\$ (9,059,522)	\$ 3,539,722	\$ 1,806,375	\$ (3,713,425)

City of Allen Park, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Brownfield Redevelopment Authority	\$ 2,122,737	\$ -	\$ -	\$ -
Downtown Development Authority	952,581	2,050	-	-
Housing Commission	487,076	253,558	109,570	34,462
Total	\$ 3,562,394	\$ 255,608	\$ 109,570	\$ 34,462

General revenue:

- Property taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position (Deficit) - End of year

Component Units
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
\$ (2,122,737)	\$ -	\$ -	\$ (2,122,737)
-	(950,531)	-	(950,531)
-	-	(89,486)	(89,486)
(2,122,737)	(950,531)	(89,486)	(3,162,754)
2,369,123	523,700	-	2,892,823
-	434,615	-	434,615
11,020	-	199	11,219
-	37,097	3,460	40,557
2,380,143	995,412	3,659	3,379,214
257,406	44,881	(85,827)	216,460
(9,316,928)	3,494,841	1,892,202	(3,929,885)
\$ (9,059,522)	\$ 3,539,722	\$ 1,806,375	\$ (3,713,425)

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Allen Park, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the city and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the city operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Unit

The City's Building Authority is governed by a five-member board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "Brownfield") was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Brownfield Redevelopment Authority's governing body consists of a seven-member board that is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the brownfield board since the City Council approves the Brownfield Redevelopment Authority's budget.

Housing Commission

The Housing Commission (the "Commission") was created in the state of Michigan under the provisions of Public Act 18 of the Extra Session of 1933, as amended (MCL 125.651 through 125.709e). A five-member board appointed by the City Council administers the Housing Commission. The Housing Commission makes annual payments "in lieu of taxes" to the City; therefore, a financial benefit exists for the City. Complete financial reports can be obtained at the administrative offices at 17000 Champaign Road, Allen Park, MI 48101.

Jointly Governed Organization

The City is a member of the 24th District Court, which provides judicial services to the City of Allen Park, Michigan and the City of Melvindale, Michigan. The City has a two-thirds interest in the 24th District Court.

Note 1 - Significant Accounting Policies (Continued)

The participating communities provide annual funding for its operations and receive a portion of fines and fees collected. During the current year, the City contributed approximately \$1,676,000 for its operations and received approximately \$2,183,000 in fines and forfeitures. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments. Complete financial statements for the 24th District Court can be obtained from its administrative offices at 6515 Roosevelt Road, Allen Park, Michigan.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and debt service funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Southfield Lease Properties Fund accounts for resources used for debt service.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government’s programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Fund, which accumulates resources for pension benefit payments to retirees
- The Retiree Healthcare Fund, which accumulates resources for future retiree healthcare payments to retirees
- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities)
- The Trust and Agency Fund, which accounts for assets held by the City in a trustee capacity

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash. The restricted assets in the business-type activities result from the establishment of debt reserves and unspent bond proceeds related to the Wayne County Sewage Disposal System Judgment Levy Debt and the Downriver Utility Wastewater Authority Bonds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Roads and sidewalks	40
Water and sewer lines	40-60
Buildings	40
Buildings and improvements	20-30
Machinery and equipment	5-20
Vehicles	5-10

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following deferred outflows of resources and deferred inflows of resources:

	<u>Outflows</u>	<u>Inflows</u>
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Deferred pension costs (outflow) and cost reductions (inflow)	✓	✓
Deferred OPEB costs (outflow) and cost reductions (inflow)	✓	✓

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Effective July 1, 2014, the City approved a fund balance reserve policy. The City desires to maintain a prudent level of financial resources to maintain the City's ability to meet obligations as they come due throughout the year. The fund balance policy prescribes a fund balance reserve of 15-20 percent of the General Fund annual operating expenditures.

Property Tax Revenue

Property taxes are levied on each July 1 and December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2018 taxable valuation of the City totaled \$771.8 million (a portion of which is abated and a portion of which is captured by the Brownfield and the Authority). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	10.4957	\$ 7,411,000
Police special voted	6.6845	4,876,000
Rubbish	2.5189	1,788,000
Library	0.8397	596,000
Debt - Community Center	0.5550	425,000
Debt - Sewer	1.0151	777,000
EPA Judgment - Sewer	0.9856	754,000
Roads	1.8831	1,441,000
Total		<u>\$ 18,068,000</u>

Pension

The City offers a defined benefit pension plan to eligible employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

Note 1 - Significant Accounting Policies (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except debt service and transfers out are budgeted as expenditures. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and department. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits the City to amend its budget during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund:			
General government - Clerk	\$ 250,320	\$ 250,667	\$ (347)
Public safety - Police	6,144,720	6,236,827	(92,107)
Public safety - Fire	3,826,908	3,863,877	(36,969)
Capital outlay	4,400	10,495	(6,095)
Debt service	497,309	570,110	(72,801)
Other financing use - Transfers out	2,887,627	2,933,059	(51,432)

Fund Deficits

The Brownfield Redevelopment Authority has a deficit of \$9,059,522 as of June 30, 2019. The authority plans to pay future debt service with tax increment revenue.

June 30, 2019

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Cash and investments	\$ 7,390,549	\$ 2,735,774	\$ 85,342,972	\$ 2,116,857
Restricted cash and investments (Note 4)	399,547	1,617,006	-	-
Total deposits and investments	\$ 7,790,096	\$ 4,352,780	\$ 85,342,972	\$ 2,116,857

The investments, excluding the restricted assets held at the Downriver Sewage Disposal System and Downriver Utility Wastewater Authority, are classified into the following categories:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Deposits with financial institutions	\$ 4,420,537	\$ 1,323,193	\$ 1,723,820	\$ 2,111,554
Investments:				
Deposits with financial institutions - Certificate of deposit	103,939	-	-	5,303
Reported at fair value:				
Treasury bonds	-	-	6,689,490	-
Agency securities	1,323,987	572,706	1,030,651	-
Other fixed income	-	-	199,459	-
Mutual funds - Equity	-	-	34,359,815	-
Mutual funds - Fixed income	-	-	4,845,434	-
Stocks	-	-	12,309,703	-
Corporate bonds	-	-	12,136,356	-
ETF - Equity	-	-	11,524,227	-
Mortgage securities	-	-	524,017	-
Municipal bonds	753,884	326,101	-	-
Commercial paper	1,187,749	513,774	-	-
Total	\$ 7,790,096	\$ 2,735,774	\$ 85,342,972	\$ 2,116,857

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Healthcare Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$6,775,403 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments and maturities:

Primary Government	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Agency securities	\$ 1,896,693	\$ -	\$ 1,896,693	\$ -	\$ -
Municipal bonds	1,079,985	671,099	408,886	-	-
Commercial paper	1,701,523	1,701,523	-	-	-
Total	\$ 4,678,201	\$ 2,372,622	\$ 2,305,579	\$ -	\$ -
Fiduciary Funds - Pension Trust Fund - December 31, 2018	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Treasury bonds and agency securities	\$ 7,720,141	\$ -	\$ 3,460,195	\$ 3,275,818	\$ 984,128
Other fixed income	199,459	-	199,459	-	-
Corporate bonds	12,136,356	976,191	6,514,663	4,645,502	-
Mutual funds - Fixed income	4,166,110	-	4,166,110	-	-
Mortgage securities	524,017	-	-	524,017	-
Total	\$ 24,746,083	\$ 976,191	\$ 14,340,427	\$ 8,445,337	\$ 984,128
Fiduciary Fund - Retiree Healthcare Fund	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Mutual funds - Fixed income	\$ 679,324	\$ -	\$ 679,324	\$ -	\$ -

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Municipal bonds	\$ 773,923	AA	S&P
Municipal bonds	100,320	AA-	S&P
Municipal bonds	205,742	A	S&P
Commercial paper	1,701,523	A1	S&P
Agency securities	1,896,693	AA+	S&P
Total	<u>\$ 4,678,201</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Pension Trust Fund - December 31, 2018			
Fixed-income securities	\$ 9,516,353	Aaa	Moody's
Fixed-income securities	39,503	Aa1	Moody's
Fixed-income securities	644,799	Aa2	Moody's
Fixed-income securities	294,370	Aa3	Moody's
Fixed-income securities	14,251,058	Not Rated	Not Rated
Total	<u>\$ 24,746,083</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Retiree Healthcare Fund			
Mutual funds - Fixed income	<u>\$ 679,324</u>	Not Rated	Not Rated

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$1,788,166.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The City's primary government has the following recurring fair value measurements as of June 30, 2019:

- Agency securities of \$1,896,693 are valued using quoted marketed prices (Level 1 inputs).
- Municipal bonds of \$1,079,985 are valued using a matrix pricing model (Level 2 inputs).

The City's Pension Trust Fund (fiduciary fund) has the following recurring fair value measurements as of December 31, 2018:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Assets				
Fixed income:				
Treasury bonds	\$ 6,689,490	\$ -	\$ -	\$ 6,689,490
Agency securities	-	1,030,651	-	1,030,651
Other fixed income	-	199,459	-	199,459
Mutual funds	4,166,110	-	-	4,166,110
Corporate bonds	-	12,136,356	-	12,136,356
Total fixed income	10,855,600	13,366,466	-	24,222,066
Equity:				
Stocks	12,309,703	-	-	12,309,703
ETF	11,213,357	-	-	11,213,357
Mutual funds	32,991,537	-	-	32,991,537
Mortgage securities	-	524,017	-	524,017
Total equity	56,514,597	524,017	-	57,038,614
Total assets	\$ 67,370,197	\$ 13,890,483	\$ -	\$ 81,260,680

The City's Retiree Healthcare Fund (fiduciary fund) has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets				
Fixed income - Mutual funds	\$ 679,324	\$ -	\$ -	\$ 679,324
Equity:				
ETF	310,870	-	-	310,870
Mutual funds	1,368,278	-	-	1,368,278
Total equity	1,679,148	-	-	1,679,148
Total assets	\$ 2,358,472	\$ -	\$ -	\$ 2,358,472

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The fair value of agency bonds, corporate bonds, and other fixed income at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 4 - Restricted Assets

The City's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted cash. In addition, the City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash.

The restricted assets in the business-type activities result from the establishment of debt reserves and unspent bond proceeds related to the Wayne County Sewage Disposal System and Downriver Utility Wastewater Authority bonds.

At June 30, 2019, restricted assets are composed of the following:

Description	Governmental Activities	Business-type Activities
Cash held by trustee for debt service	\$ 399,547	\$ -
Wayne County Downriver Sewage Disposal System - Assets held at the System for future debt service	-	728,173
Downriver Utility Wastewater Authority - Assets held at the Authority for future capital projects	-	888,833
Total	<u>\$ 399,547</u>	<u>\$ 1,617,006</u>

The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds.

June 30, 2019

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,216,013	\$ -	\$ -	\$ -	\$ 1,216,013
Construction in progress	124,960	(173,033)	56,073	-	8,000
Subtotal	1,340,973	(173,033)	56,073	-	1,224,013
Capital assets being depreciated:					
Roads and sidewalks	137,350,428	-	1,506,323	-	138,856,751
Buildings and improvements	21,019,679	-	180,342	(25,305)	21,174,716
Furniture and equipment	7,807,993	173,033	436,290	(1,021,552)	7,395,764
Vehicles	5,107,730	-	229,824	(406,449)	4,931,105
Land improvements	2,140,519	-	99,737	-	2,240,256
Subtotal	173,426,349	173,033	2,452,516	(1,453,306)	174,598,592
Accumulated depreciation:					
Roads and sidewalks	118,687,665	-	3,476,817	-	122,164,482
Buildings and improvements	7,214,614	-	474,263	(14,918)	7,673,959
Furniture and equipment	6,334,775	-	414,332	(1,021,552)	5,727,555
Vehicles	3,155,467	-	374,263	(417,295)	3,112,435
Land improvements	1,653,564	-	79,707	-	1,733,271
Subtotal	137,046,085	-	4,819,382	(1,453,765)	140,411,702
Net capital assets being depreciated	36,380,264	173,033	(2,366,866)	459	34,186,890
Net governmental activities capital assets	<u>\$ 37,721,237</u>	<u>\$ -</u>	<u>\$ (2,310,793)</u>	<u>\$ 459</u>	<u>\$ 35,410,903</u>

June 30, 2019

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 60,000	\$ -	\$ 500,180	\$ -	\$ 560,180
Construction in progress	872,323	(975,215)	417,767	-	314,875
Subtotal	932,323	(975,215)	917,947	-	875,055
Capital assets being depreciated:					
Water and sewer lines	80,900,113	975,215	5,034,444	-	86,909,772
Buildings and improvements	2,367,857	-	23,017	-	2,390,874
Furniture and equipment	2,265,738	-	176,294	-	2,442,032
Meters	2,283,197	-	-	-	2,283,197
Subtotal	87,816,905	975,215	5,233,755	-	94,025,875
Accumulated depreciation:					
Water and sewer lines	25,080,427	-	1,726,275	-	26,806,702
Buildings and improvements	1,809,943	-	71,696	-	1,881,639
Furniture and equipment	1,378,180	-	151,697	-	1,529,877
Meters	2,257,004	-	26,190	-	2,283,194
Subtotal	30,525,554	-	1,975,858	-	32,501,412
Net capital assets being depreciated	57,291,351	975,215	3,257,897	-	61,524,463
Net business-type activities capital assets	\$ 58,223,674	\$ -	\$ 4,175,844	\$ -	\$ 62,399,518

June 30, 2019

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's Housing Commission (component unit) for the year ended December 31, 2018 was as follows:

Housing Commission - Component Unit

	Balance January 1, 2018	Reclassification	Additions	Balance December 31, 2018
Capital assets not being depreciated -	\$ 68,050	\$ -	\$ -	\$ 68,050
Capital assets being depreciated:				
Buildings and improvements	3,172,441	-	39,099	3,211,540
Furniture, equipment, and machinery - Dwelling	37,031	-	-	37,031
Furniture, equipment, and machinery - Administration	35,169	-	-	35,169
Subtotal	3,244,641	-	39,099	3,283,740
Accumulated depreciation	1,502,776	-	92,538	1,595,314
Net capital assets being depreciated	1,741,865	-	(53,439)	1,688,426
Net housing commission - component unit capital assets	<u>\$ 1,809,915</u>	<u>\$ -</u>	<u>\$ (53,439)</u>	<u>\$ 1,756,476</u>

Capital asset activity for the City's Downtown Development Authority (component unit) for the year ended June 30, 2019 was as follows:

Downtown Development Authority - Component Unit

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 84,293	\$ -	\$ -	\$ -	\$ 84,293
Capital assets being depreciated:					
Site improvements	12,409,076	-	17,710	-	12,426,786
Buildings	386,721	-	-	-	386,721
Furniture and equipment	17,816	-	-	-	17,816
Subtotal	12,813,613	-	17,710	-	12,831,323
Accumulated depreciation:					
Site improvements	7,768,213	-	476,281	-	8,244,494
Buildings	167,116	-	9,668	-	176,784
Furniture and equipment	17,816	-	-	-	17,816
Subtotal	7,953,145	-	485,949	-	8,439,094
Net capital assets being depreciated	4,860,468	-	(468,239)	-	4,392,229
Net downtown development authority - component unit capital assets	<u>\$ 4,944,761</u>	<u>\$ -</u>	<u>\$ (468,239)</u>	<u>\$ -</u>	<u>\$ 4,476,522</u>

June 30, 2019

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	388,738
Public safety		342,148
Public works		3,677,960
Economic development		1,030
Recreation and culture		<u>409,506</u>
Total governmental activities	\$	<u><u>4,819,382</u></u>
Business-type activities - Water and sewer	\$	1,975,858
Component unit activities:		
Housing Commission - December 31, 2018	\$	92,538
Downtown Development Authority		<u>485,949</u>
Total component unit activities	\$	<u><u>578,487</u></u>

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Southfield Lease Properties Fund	\$ 1,666,432
	Nonmajor governmental funds	<u>1,266,627</u>
	Total General Fund	<u><u>\$ 2,933,059</u></u>

The transfers from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations, and the transfer from the General Fund to the Southfield Lease Properties Fund represents the use of unrestricted resources for debt service.

June 30, 2019

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2014 State of Michigan Emergency Loan:							
Amount of issue: \$2,600,000		\$250,000-					
Maturing through 2025	2.30%	\$285,000	\$ 1,865,000	\$ -	\$ (250,000)	\$ 1,615,000	\$ 255,000
2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds - Southfield Lease Properties:							
Amount of issue: \$16,750,000	3.16%-	\$220,000-					
Maturing through 2045	4.80%	\$1,195,000	16,750,000	-	-	16,750,000	-
Total direct borrowings and direct placements principal outstanding			18,615,000	-	(250,000)	18,365,000	255,000
Other debt:							
2003 General Obligation Unlimited Tax Bonds - Community Center:							
Amount of issue: \$4,925,000			3,700,000	-	(3,700,000)	-	-
2003B General Obligation Unlimited Tax Bonds - Community Center:							
Amount of issue: \$1,575,000			1,150,000	-	(1,150,000)	-	-
2009AB General Obligation Bonds - Southfield Lease Properties:							
Amount of issue: \$9,905,000			9,070,000	-	(9,070,000)	-	-
2010 General Obligation Limited Bonds - Southfield Lease Properties:							
Amount of issue: \$2,725,000			2,285,000	-	(2,285,000)	-	-
2019 Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue: \$4,540,000	3.00%-	\$250,000-		4,540,000	-	4,540,000	275,000
Maturing through 2033	4.00%	\$425,000	-				
2019 Limited Tax General Obligation Refunding Bonds - Southfield Lease Properties:							
Amount of issue: \$2,170,000	2.00%-	\$110,000-		2,170,000	-	2,170,000	110,000
Maturing through 2034	4.00%	\$190,000	-				
Total other debt principal outstanding			16,205,000	6,710,000	(16,205,000)	6,710,000	385,000
Unamortized bond premiums			-	421,338	-	421,338	-
Total bonds and contracts payable			34,820,000	7,131,338	(16,455,000)	25,496,338	640,000
Capital leases	2.30%	\$219,772	434,238	-	(214,466)	219,772	219,772
Compensated absences			1,932,000	-	(38,788)	1,893,212	189,322
Total governmental activities long-term debt			\$ 37,186,238	\$ 7,131,338	\$ (16,708,254)	\$ 27,609,322	\$ 1,049,094

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2009 Michigan Municipal Bond Authority - Clean Water Program:							
Amount of issue: \$12,278,881		\$555,000-					
Maturing through 2032	2.50%	\$760,881	\$ 9,140,881	\$ -	\$ (555,000)	\$ 8,585,881	\$ 570,000
Wayne County - Downriver Sewage Disposal System:							
Amount of issue: Various		Various					
Maturing through 2028	Various	Various	8,025,748	18,272	(6,167,391)	1,876,629	702,866
Downriver Utility Wastewater Authority Bonds:							
Amount of issue: Various		Various					
Maturing through 2042	Various	Various	-	9,222,881	(403,967)	8,818,914	280,320
Total direct borrowings and direct placements principal outstanding			17,166,629	9,241,153	(7,126,358)	19,281,424	1,553,186
Other debt:							
2002 General Obligation Limited Tax Bonds:							
Amount of issue \$2,000,000			700,000	-	(700,000)	-	-
2005 General Obligation Limited Tax Bonds:							
Amount of issue \$4,000,000	4.00%-	\$200,000-					
Maturing through 2025	4.20%	\$380,000	1,940,000	-	(200,000)	1,740,000	200,000
2019 Limited Tax General Obligation Refunding Bonds:							
Amount of issue \$540,000		\$175,000-					
Maturing through 2022	3.25%	\$195,000	-	540,000	-	540,000	175,000
Total other debt principal outstanding			2,640,000	540,000	(900,000)	2,280,000	375,000
Unamortized bond discounts			(6,042)	-	6,042	-	-
Total bonds and contracts payable			19,800,587	9,781,153	(8,020,316)	21,561,424	1,928,186
Capital leases	2.30%	\$105,039	218,062	-	(113,023)	105,039	105,039
Compensated absences			18,992	8,042	-	27,034	2,703
Total business-type activities long-term debt			\$ 20,037,641	\$ 9,789,195	\$ (8,133,339)	\$ 21,693,497	\$ 2,035,928

June 30, 2019

Note 7 - Long-term Debt (Continued)

Component Units

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2005 General Obligation Limited Tax Bonds - Downtown Development Authority:							
Original issue: \$4,500,000	4.00%-	\$295,000-					
Maturing through 2025	4.40%	\$385,000	\$ 2,380,000	\$ -	\$ (295,000)	\$ 2,085,000	\$ 310,000
2007 General Obligation Limited Tax Bonds - Brownfield Redevelopment Authority:							
Original issue: \$15,710,000			10,200,000	-	(10,200,000)	-	-
2019 Limited Tax General Obligation Redevelopment Refunding Bonds - Brownfield Authority:							
Original issue: \$9,215,000	3.5%-	\$575,000-					
Maturing through 2032	4.0%	\$880,000	-	9,215,000	-	9,215,000	580,000
Total other debt principal outstanding			12,580,000	9,215,000	(10,495,000)	11,300,000	890,000
Unamortized bond discounts			-	686,550	-	686,550	-
Total bonds and contracts payable			12,580,000	9,901,550	(10,495,000)	11,986,550	890,000
Compensated absences - Housing Commission - December 31, 2018			15,774	-	(584)	15,190	2,278
Total component unit long-term debt			\$ 12,595,774	\$ 9,901,550	\$ (10,495,584)	\$ 12,001,740	\$ 892,278

The City, including component units, had deferred outflows of \$96,842 related to deferred charges on bond refundings at June 30, 2019.

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and capital leases are also general obligations of the City.

Downriver Sewage Disposal System and Downriver Utility Wastewater Authority

On September 27, 2018, the County of Wayne, Michigan transferred the Downriver Sewage Disposal System (the "System") to the Downriver Utility Wastewater Authority (DUWA). As part of the system transfer, DUWA issued bonds of \$58,725,000 and assumed \$62 million of the System's debt. The City is a participant of DUWA and has a obligation to cover an allocation of the outstanding debt. In the current year, the City recorded \$4,510,080 for DUWA's \$58,725,000 bond proceeds issued in the current year. The City recorded the transfer of the System's debt to DUWA as a debt addition \$4,712,801 for the DUWA bonds and as a debt reduction of \$4,712,801 to the system bonds.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 255,000	\$ 778,329	\$ 385,000	\$ 193,775	\$ 1,612,104
2021	260,000	772,414	360,000	228,850	1,621,264
2022	265,000	766,368	360,000	216,650	1,608,018
2023	415,000	756,215	365,000	204,450	1,740,665
2024	425,000	746,937	420,000	188,850	1,780,787
2025-2029	2,410,000	3,504,505	2,350,000	676,750	8,941,255
Thereafter	14,335,000	6,195,696	2,470,000	193,550	23,194,246
Total	\$ 18,365,000	\$ 13,520,464	\$ 6,710,000	\$ 1,902,875	\$ 40,498,339

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,553,186	\$ 574,293	\$ 375,000	\$ 85,871	\$ 2,588,350
2021	1,616,376	536,509	380,000	74,963	2,607,848
2022	1,085,326	499,834	405,000	61,037	2,051,197
2023	1,072,579	469,399	365,000	46,300	1,953,278
2024	1,373,103	438,484	375,000	31,335	2,217,922
2025-2029	5,943,987	1,698,580	380,000	15,960	8,038,527
Thereafter	6,636,867	1,529,682	-	-	8,166,549
Total	\$ 19,281,424	\$ 5,746,781	\$ 2,280,000	\$ 315,466	\$ 27,623,671

Years Ending June 30	Component Unit Activities		
	Other Debt		
	Principal	Interest	Total
2020	\$ 890,000	\$ 421,739	\$ 1,311,739
2021	900,000	412,825	1,312,825
2022	940,000	376,338	1,316,338
2023	975,000	338,227	1,313,227
2024	1,015,000	297,985	1,312,985
2025-2029	4,030,000	932,090	4,962,090
Thereafter	2,550,000	184,700	2,734,700
Total	\$ 11,300,000	\$ 2,963,904	\$ 14,263,904

Note 7 - Long-term Debt (Continued)

Advance Bond Refunding

During the year, the City issued \$540,000 in limited tax general obligation refunding bonds with an average interest rate of 3.25 percent. The proceeds of these bonds were used to advance refund \$550,000 of outstanding 2002 general obligation limited tax bonds (business-type activities) with an average interest rate of 4.64 percent. The net proceeds of \$540,651 (after payment of \$17,502 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next three years by \$29,204, which represents an economic gain of \$28,671.

Current Bond Refunding

During the year, the City refunded four bonds with three current bond refundings:

- During the year, the City issued \$4,540,000 in unlimited tax general obligation refunding bonds with an average interest rate of 3.68 percent. The proceeds of these bonds were used to refund the 2003 and the 2003B general obligation unlimited tax bonds (governmental activities) with \$3,550,000 and \$1,100,000 of outstanding bonds, respectively, with an average interest rate of 4.93 percent. The net proceeds of \$4,735,163 (after payment of \$112,495 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 15 years by \$820,969, which represents an economic gain of \$594,186.
- During the year, the City issued \$2,170,000 in limited tax general obligation refunding bonds with an average interest rate of 3.5 percent. The proceeds of these bonds were used to refund \$2,205,000 of outstanding 2010 general obligation limited tax bonds (governmental activities) with an average interest rate of 5.64 percent. The net proceeds of \$2,220,676 (after payment of \$63,004 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 15 years by \$514,325, which represents an economic gain of approximately \$405,895.
- During the year, the City issued \$9,215,000 in limited tax general obligation redevelopment refunding bonds with an average interest rate of 3.84 percent. The proceeds of these bonds were used to refund \$9,675,000 of outstanding 2007 limited tax general obligation redevelopment bonds (component unit) with an average interest rate of 5.0 percent. The net proceeds of \$9,731,543 (after payment of \$265,054 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 13 years by \$1,521,746, which represents an economic gain of \$1,244,797.

Note 7 - Long-term Debt (Continued)

Revenue Pledged in Connection with Debt

The City has pledged, as security for 2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds and the 2014 State of Michigan Emergency Loan (collectively, the "Bonds") issued by the City, a portion of the City's state-shared revenue, as authorized by Act 227 and the State Revenue Sharing Act. The state treasurer sends 100 percent of the state-shared revenue due to the City to the city master trustee for as long as the Bonds are outstanding. The city master trustee accumulates state-shared revenue in sufficient amounts to pay debt service on the Bonds. Any amounts remaining after setting aside the amounts necessary to satisfy debt service are released to the City's General Fund. Total principal and interest remaining on the 2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds total \$30,156,692, with annual requirements ranging from \$744,141 in 2020 to \$1,252,360 in the final year. Total principal and interest remaining on the 2014 State of Michigan Emergency Loan total \$1,728,772, with annual requirements ranging from \$289,188 in 2020 to \$288,260 in the final year. The state-shared revenue, from which the appropriations will be made, have averaged approximately \$2,750,000 over the last three years. For the current year, the principal and interest paid by the City and the total state-shared revenue recognized by the City were \$250,000 and \$39,996, respectively.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to general liability, property loss, and workers' compensation. The City has assumed a significant amount of financial responsibility for medical claim costs, subject to certain limitations of \$75,000 per specific claim, with no limit in aggregate claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for health and prescription claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the fiscal year were as follows:

	<u>Medical Claims</u>
Estimated liability - Beginning of year	\$ 207,500
Estimated claims incurred, including changes in estimates	2,294,782
Claim payments	<u>(2,219,582)</u>
Estimated liability - End of year	<u>\$ 282,700</u>

Note 9 - Brownfield Redevelopment Authority Commitment

The Brownfield Redevelopment Authority has committed to reimburse the costs paid by Clay Park Development (the "Developer") for a development project in the amount of \$10,715,702, plus interest at 5 percent per year. The reimbursement is contingent upon future tax increment revenue through June 30, 2032. During the year, the Brownfield Redevelopment Authority reimbursed the Developer \$665,838 and paid interest of \$367,162. At June 30, 2019, the outstanding commitment is \$6,905,571.

Note 10 - Litigation

The City is named a party to a number of lawsuits in the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the City's financial position or results of operations.

Note 11 - Pension Plan

Plan Description

The City of Allen Park, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Employees Retirement System (the "Plan"), a cost-sharing multiple employer defined benefit pension plan administered by the board of trustees (the "pension board"). There are two participating employers in the Plan, the City of Allen Park, Michigan and the 24th District Court.

The financial statements of the pension system are included in these financial statements as a pension trust fund (a fiduciary fund).

Management of the Plan is vested in the pension board, which consists of five members - the finance director, a retiree appointed by the pension board, a citizen appointed by the mayor and approved by City Council, a police officer or firefighter member elected by the police officer and firefighter member, and a general member elected by the general members.

The City of Allen Park, Michigan also contributes to the defined contribution plan, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by MERS.

Benefits Provided

The Employees Retirement System provides retirement, deferred retirement, duty disability, nonduty disability, duty death, and nonduty death benefits to lieutenants and sergeants, police, fire, general, and administrative appointees. Retirement benefits are calculated as various percentages (ranging from 2.0 to 2.9 percent) of the employee's final average compensation (as defined by each employee group) times the employee's years of service. To be eligible, employees must have a minimum number of years of service (ranging from 10 to 25 years), as well as meeting minimum retirement age (ranging from 52 to 55). Certain employees who leave city service may withdraw their contributions, plus any accumulated interest.

Benefit terms are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Benefit terms, including contribution requirements, for the defined benefit plan are established and may be amended by the City Council.

Effective April 1, 2005, a defined benefit plan was established for all new hires. For each employee in the defined benefit plan, the City contributes 7.0 percent of annual salary. Employees contribute 5.0 percent of annual salary and are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in city contributions and earnings on city contributions 20 percent after three years, 40 percent after four years, 60 percent after five years, 80 percent after six years, and 100 percent after seven years of creditable service with the City. Appointees are fully vested after two years of creditable service. Nonvested city contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the plan's administrative expenses. Loans are allowed from the plan effective September 11, 2012 and rollovers are allowed in the plan.

Note 11 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Employees Retirement System</u>
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	228
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>89</u>
Total employees covered by the Plan	<u><u>326</u></u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2019, the active employee contribution rate was 7.0 percent of covered compensation and the City contributed the actuarial required contribution of \$2,665,764, for which \$556,752 was paid by the 24th District Court.

Net Pension Liability

The net pension liability of \$29,581,102 has been allocated separately to the City and to the 24th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 68, and, therefore, the City has not recorded the court's proportionate share of the net pension liability. The City's proportionate share of the net pension liability is \$23,403,011 at June 30, 2019.

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 11 - Pension Plan (Continued)

Changes in the Plan's net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 109,961,494	\$ 92,425,850	\$ 17,535,644
Changes for the year:			
Service cost	1,308,576	-	1,308,576
Interest	7,486,903	-	7,486,903
Differences between expected and actual experience	1,011,357	-	1,011,357
Contributions - Employer	-	2,646,084	(2,646,084)
Contributions - Employee	-	465,864	(465,864)
Net investment income	-	(5,315,188)	5,315,188
Benefit payments, including refunds	(7,320,046)	(7,320,046)	-
Administrative expenses	-	(29,838)	29,838
Miscellaneous other charges	-	(5,544)	5,544
Net changes	2,486,790	(9,558,668)	12,045,458
Balance at December 31, 2018	<u>\$ 112,448,284</u>	<u>\$ 82,867,182</u>	<u>\$ 29,581,102</u>

The plan's fiduciary net position represents 73.7 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$4,000,055 from all plans, which includes defined contribution plan expense of \$129,576.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 578,552	\$ -
Net difference between projected and actual earnings on pension plan investments	4,981,360	-
Changes in proportionate share of net pension liability	616,340	(450,463)
Employer contributions to the Plan subsequent to the measurement date	1,054,506	-
Total	<u>\$ 7,230,758</u>	<u>\$ (450,463)</u>

Note 11 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2020	\$ 2,204,996
2021	1,013,362
2022	666,198
2023	1,841,233
Total	<u>\$ 5,725,789</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 3 percent, assumed salary increases (including inflation) of 3.7 to 6.8 percent, an investment rate of return (net of investment expenses) of 7.0 percent, and RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	64.00 %	6.65 %
Real estate	5.00	8.00
Fixed income	30.00	2.00
Cash	1.00	1.00

Note 11 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
Net pension liability of the Employees Retirement System	\$ 41,921,968	\$ 29,581,102	\$ 19,178,396

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension board's adopted asset allocation policy as of December 31, 2018 is included in the investment rate of return section above.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (5.92) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the city ordinance, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee and credits interest annually. For any employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balances are transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2018 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 80,242,944	\$ 76,150,352
Employee reserve	6,716,830	6,716,830
Total	<u>\$ 86,959,774</u>	<u>\$ 82,867,182</u>

Note 12 - Other Postemployment Benefit Plan

Plan Description

The City administers the City of Allen Park Retiree Healthcare Plan (the "Plan") a cost-sharing defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for police, fire, nonunion, and TPOAM (AFSCME) groups. There are two participating employers in the Plan, the City of Allen Park, Michigan and the 24th District Court.

Management of the Plan is vested with the City Council.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Benefits Provided

The City of Allen Park Retiree Healthcare Plan provides health care, dental, vision, and life insurance benefits for eligible retirees and their dependents. Dental and vision are covered until the age of 65. Life insurance is currently provided between \$7,500 and \$10,000. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan, except for participant contributions, as described below. The Plan is closed to TPOAM (AFSCME) members hired after April 1, 2005. The Plan is closed to nonunion employees hired after July 1, 2011. The Plan is closed to police and fire employees hired after July 1, 2013.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Allen Park Retiree Healthcare Plan
	<hr/>
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	216
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<hr/> 85
Total plan members	<hr/> <hr/> 308

Contributions

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$2,637,395, plus it contributed \$500,000 into a prefunded retiree healthcare fund, which is reported in this financial statement as a pension and other employee benefit trust fund type. Inactive plan members share in the cost of OPEB as follows:

TPOAM (AFSCME)

Employees hired before April 1, 2005 with 15 to 20 years of service contribute 40 percent of plan premiums. Employees hired before April 1, 2005 with 21 to 24 years of service contribute 20 percent of plan premiums. Employees hired before April 1, 2005 with 25 or more years of service have no employee contribution requirement.

Nonunion

Employees hired before July 1, 2011 contribute 20 percent of plan premiums.

Note 12 - Other Postemployment Benefit Plan (Continued)

Police and Fire

Employees hired before July 1, 2013 contribute the full plan premium minus 4 percent times years of service.

Net OPEB Liability

The net OPEB liability of \$47,452,483 has been allocated separately to the City and to the 24th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 75 and, therefore, the City has not recorded the court's proportionate share of the net OPEB liability. The City's proportionate share of the net OPEB liability is \$43,122,146 at June 30, 2019.

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2019.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 51,047,973	\$ 1,737,928	\$ 49,310,045
Changes for the year:			
Service cost	781,180	-	781,180
Interest	3,535,732	-	3,535,732
Differences between expected and actual experience	(4,372,588)	-	(4,372,588)
Changes in assumptions	1,463,911	-	1,463,911
Contributions - Employer	-	3,137,395	(3,137,395)
Net investment income	-	129,977	(129,977)
Benefit payments, including refunds	(2,637,395)	(2,637,395)	-
Administrative expenses	-	(1,575)	1,575
Net changes	(1,229,160)	628,402	(1,857,562)
Balance at June 30, 2019	\$ 49,818,813	\$ 2,366,330	\$ 47,452,483

The plan's fiduciary net position represents 4.75 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,585,917.

June 30, 2019

Note 12 - Other Postemployment Benefit Plan (Continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,317,911)
Changes in assumptions	776,020	(43,239)
Net difference between projected and actual earnings on OPEB plan investments	-	(6,223)
Total	\$ 776,020	\$ (2,367,373)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2020	\$ (1,147,217)
2021	(443,167)
2022	(2,627)
2023	1,658
Total	\$ (1,591,353)

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.7 to 6.8 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a healthcare cost trend rate of 7.0 percent for 2018, decreasing 0.25 to 0.50 percent per year to an ultimate rate of 4.5 percent for 2024 and later years; and using the RPH-2014 mortality tables with the MP-2018 improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent and is based off of the assumption that the benefits to be paid each year will be funded entirely from pay-as-you-go contributions provided by the City.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 12 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Total equities	64.00 %	6.65 %
Real estate	5.00	8.00
Fixed income	30.00	2.00
Cash	1.00	-

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 7.0 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the City of Allen Park Retiree Healthcare Plan	\$ 53,237,781	\$ 47,452,483	\$ 42,631,986

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Plan, calculated using the healthcare cost trend rate of 7.0 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the City of Allen Park Retiree Healthcare Plan	\$ 41,684,098	\$ 47,452,483	\$ 54,444,145

Assumption Changes

The beginning of year total OPEB liability was based off of the RPH-2014 mortality tables using the MP 2017 improvement scale while the total OPEB liability as of June 30, 2019 was based off of the RPH-2014 mortality tables using the MP-2018 improvement scale.

Note 12 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy objective is preservation of capital. The asset allocation approved is included in the investment rate of return section above.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 6.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Health Care Savings Plan

The City provides a Health Care Savings Plan (the "Plan") for employees not eligible for retiree healthcare benefits. The Plan is administered by MERS. For police and fire members, the City contributes 3 percent of an employee's base salary and requires a 3 percent employee contribution. There is no vesting period for police and fire employees. For TPOAM (AFSCME) employees, the City contributes \$40 per month for active plan members. City contributions vest after seven years of service for AFSCME (TPOAM) employees. Expenses under the plan amounted to \$47,073 for the year ended June 30, 2019.

Note 14 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension Trust Fund - December 31, 2018	Retiree Healthcare Fund	Pension and Other Employee Benefit Funds
Statement of Net Position			
Investments	\$ 81,260,680	\$ 2,358,472	\$ 83,619,152
Other assets	1,606,502	7,829	1,614,331
Net position	<u>\$ 82,867,182</u>	<u>\$ 2,366,301</u>	<u>\$ 85,233,483</u>
Statement of Changes in Net Position			
Investment (loss) income	\$ (5,315,188)	\$ 129,190	\$ (5,185,998)
Contributions	3,111,948	3,137,395	6,249,343
Benefit payments	7,320,046	2,637,395	9,957,441
Other deductions	35,382	788	36,170
Net change in net position	<u>\$ (9,558,668)</u>	<u>\$ 628,402</u>	<u>\$ (8,930,266)</u>

Note 15 - Tax Abatements

The City receives reduced property tax revenue as a result of brownfield redevelopment agreements granted by cities within the boundaries of the City. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the City's property tax revenue was reduced by \$1,033,000 under this program.

Note 16 - Joint Venture

Downriver Utility Wastewater Authority

The City, along with 12 other communities, jointly participated in the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. The transfer price was \$54 million, which was paid at closing with \$55.225 million in revenue bonds (Senior Lien bond proceeds) issued by DUWA, plus an obligation for an additional payment of \$3.5 million to be paid in September 2023.

Existing county debt related to the System was handled as follows:

- Judgment levy debt of \$23.2 million remains as an obligation of the County and will continue to be paid directly from the communities to the County.
- 2007D series bonds were refunded and reissued as part of the \$55 million Senior Lien bond issuance.
- The outstanding State Revolving Fund (SRF) debt of \$62 million was exchanged into DUWA's name and has now become a liability of DUWA.

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million, and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges.

The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid a total of \$1,291,696 for operations and \$1,918,241 for debt service to the System and DUWA. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

Special Item

In previous years, the City recorded an investment in joint ventures for its participation in the Downriver Sewage Disposal System. The investment in joint ventures represented unrestricted net position of the System that would be returned to the communities if the System were to be dissolved or replaced. On September 27, 2018, the System was transferred to DUWA. The City does not have an explicit equity interest in DUWA. As a result of the transfer of assets, the City reduced its investment in joint ventures to zero. The loss on the transfer of asset of \$1,376,892 was reported as a special item on the Water and Sewer Fund's statement of revenue, expenses, and changes in net position.

Required Supplemental Information

City of Allen Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes:				
Property taxes	\$ 8,176,329	\$ 8,176,329	\$ 8,064,737	\$ (111,592)
Police and fire millage	4,893,313	4,893,313	4,875,934	(17,379)
Intergovernmental:				
Federal grants	154,000	154,000	136,838	(17,162)
State and local sources	3,416,178	3,616,178	3,758,690	142,512
Charges for services:				
Charges to other funds	953,250	953,250	893,692	(59,558)
User fees	2,420,000	2,420,000	2,495,147	75,147
Fines and forfeitures	1,975,000	2,175,000	2,183,378	8,378
Licenses and permits:				
Cable franchise fees	615,000	615,000	555,158	(59,842)
Business licenses	34,500	34,500	37,570	3,070
Investment income	60,000	60,000	110,282	50,282
Other revenue	147,000	147,000	115,399	(31,601)
Total revenue	22,844,570	23,244,570	23,226,825	(17,745)
Expenditures				
Current services:				
General government:				
Mayor and City Council	49,251	49,251	47,115	2,136
Finance	335,510	340,510	331,812	8,698
Treasurer	128,671	135,871	133,225	2,646
Assessing	167,605	167,605	154,090	13,515
Clerk	225,320	250,320	250,667	(347)
Administration	1,438,087	1,788,087	1,701,890	86,197
City hall	272,600	254,600	245,133	9,467
Retiree healthcare	3,052,329	2,942,329	2,926,987	15,342
District court	1,675,549	1,675,549	1,675,549	-
Public safety:				
Police	5,944,720	6,144,720	6,236,827	(92,107)
Fire	3,551,908	3,826,908	3,863,877	(36,969)
Public service	1,592,406	1,714,406	1,716,559	(2,153)
Recreation and culture:				
Parks and recreation	405,540	355,540	351,606	3,934
Community center	738,778	688,778	688,257	521
Historical	7,960	7,960	4,354	3,606
Capital outlay	4,400	4,400	10,495	(6,095)
Debt service	497,309	497,309	570,110	(72,801)
Total expenditures	20,087,943	20,844,143	20,908,553	(64,410)
Excess of Revenue Over Expenditures	2,756,627	2,400,427	2,318,272	(82,155)
Other Financing (Uses) Sources				
Transfers out	(2,756,627)	(2,881,627)	(2,933,059)	(51,432)
Issuance of refunding bonds	-	-	2,170,000	2,170,000
Debt premium	-	-	113,680	113,680
Payment to bond refunding escrow agent	-	-	(2,211,629)	(2,211,629)
Sale of capital assets	-	-	1,500	1,500
Total other financing uses	(2,756,627)	(2,881,627)	(2,859,508)	22,119
Net Change in Fund Balance	-	(481,200)	(541,236)	(60,036)
Fund Balance - Beginning of year	4,580,571	4,580,571	4,580,571	-
Fund Balance - End of year	\$ 4,580,571	\$ 4,099,371	\$ 4,039,335	\$ (60,036)

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Five Plan Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 1,308,576	\$ 1,348,167	\$ 1,318,028	\$ 1,171,406	\$ 1,210,976
Interest	7,486,903	7,358,871	7,273,210	7,053,955	6,724,409
Changes in benefit terms	-	(42,368)	(655,066)	279,525	(277,263)
Differences between expected and actual experience	1,011,357	422,650	316,565	1,491,147	(2,874,762)
Changes in assumptions	-	-	-	-	6,922,280
Benefit payments, including refunds	(7,320,046)	(7,156,947)	(6,931,182)	(6,943,101)	(7,013,015)
Net Change in Total Pension Liability	2,486,790	1,930,373	1,321,555	3,052,932	4,692,625
Total Pension Liability - Beginning of year	109,961,494	108,031,121	106,709,566	103,656,634	98,964,009
Total Pension Liability - End of year	\$ 112,448,284	\$ 109,961,494	\$ 108,031,121	\$ 106,709,566	\$ 103,656,634
Plan Fiduciary Net Position					
Contributions - Employer	\$ 2,646,084	\$ 2,659,008	\$ 2,641,242	\$ 2,699,151	\$ 5,028,314
Contributions - Member	465,864	448,132	512,597	404,395	426,203
Net investment (loss) income	(5,315,188)	13,121,110	4,649,658	650,672	5,059,609
Administrative expenses	(29,838)	(47,674)	(26,857)	(78,030)	(49,565)
Benefit payments, including refunds	(7,320,046)	(7,156,947)	(6,931,182)	(6,943,101)	(7,013,015)
Other	(5,544)	(6,319)	(6,005)	(1,172)	5,308
Net Change in Plan Fiduciary Net Position	(9,558,668)	9,017,310	839,453	(3,268,085)	3,456,854
Plan Fiduciary Net Position - Beginning of year	92,425,850	83,408,540	82,569,087	85,837,172	82,380,318
Plan Fiduciary Net Position - End of year	\$ 82,867,182	\$ 92,425,850	\$ 83,408,540	\$ 82,569,087	\$ 85,837,172
City's Net Pension Liability - Ending	\$ 29,581,102	\$ 17,535,644	\$ 24,622,581	\$ 24,140,479	\$ 17,819,462
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.69 %	84.05 %	77.21 %	77.38 %	82.81 %
Covered Payroll	\$ 6,495,009	\$ 6,306,637	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588
City's Net Pension Liability as a Percentage of Covered Payroll	455.44 %	278.05 %	396.76 %	412.93 %	339.38 %

Required Supplemental Information
Schedule of Pension Plan Contributions

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,665,764	\$ 2,659,008	\$ 2,641,242	\$ 2,699,151	\$ 2,995,152	\$ 3,334,274	\$ 4,032,651	\$ 2,971,831	\$ 2,414,020	\$ 2,267,351
Contributions in relation to the actuarially determined contribution	2,665,764	2,659,008	2,641,242	2,699,151	5,028,314	2,204,685	1,310,580	2,971,831	3,177,149	2,545,881
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ 2,033,162	\$ (1,129,589)	\$ (2,722,071)	\$ -	\$ 763,129	\$ 278,530
Covered Payroll	\$ 6,495,009	\$ 6,306,637	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588	\$ 5,800,000	\$ 6,800,000	\$ 7,100,000	\$ 7,700,000	\$ 9,200,000
Contributions as a Percentage of Covered Payroll	41.04 %	42.16 %	42.56 %	46.17 %	95.77 %	38.01 %	19.27 %	41.86 %	41.26 %	27.67 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method General: Level Dollar, Closed
Police and Fire: Level Percentage of Payroll, Closed

Remaining amortization period General: 14 years (out of 20) as of December 31, 2018
Police and Fire: 20 (out of 25) as of December 31, 2018

Asset valuation method Four-year smoothed market; 25% corridor

Inflation 2.50%

Salary increase 3.0% to 6.8%, including inflation at 2.5%

Investment rate of return 7.00%

Retirement age Experience-based table of rates that are specific to the type of eligibility condition.

Mortality RP-2014 Mortality Tables projected five years to 2019, with MP-2014.

Required Supplemental Information
Schedule of Pension Plan Investment Returns

**Last Three Plan Years
Years Ended December 31**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	(5.92)%	16.03 %	5.71 %

Required Supplemental Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Employees Retirement System

	Last Five Plan Years				
	Plan Year Ended June 30				
	2018	2017	2016	2015	2014
City's proportion of the net pension liability	79.11474 %	79.43957 %	75.85075 %	78.53700 %	78.21488 %
City's proportionate share of the net pension liability	\$ 23,403,011	\$ 13,930,240	\$ 18,676,413	\$ 18,959,205	\$ 13,937,470
City's covered payroll	\$ 5,138,509	\$ 5,009,965	\$ 5,640,041	\$ 5,645,256	\$ 4,707,770
City's proportionate share of the net pension liability as a percentage of its covered payroll	455.44 %	278.05 %	331.14 %	335.84 %	296.05 %
Plan fiduciary net position as a percentage of total pension liability	73.69 %	84.05 %	77.21 %	77.38 %	82.81 %

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Two Fiscal Years	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 781,180	\$ 733,684
Interest	3,535,732	3,438,175
Differences between expected and actual experience	(4,372,588)	-
Changes in assumptions	1,463,911	(285,488)
Benefit payments, including refunds	<u>(2,637,395)</u>	<u>(2,442,993)</u>
Net Change in Total OPEB Liability	(1,229,160)	1,443,378
Total OPEB Liability - Beginning of year	<u>51,047,973</u>	<u>49,604,595</u>
Total OPEB Liability - End of year	<u>\$ 49,818,813</u>	<u>\$ 51,047,973</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 3,137,395	\$ 2,942,993
Net investment income	129,977	119,620
Administrative expenses	(1,575)	(7,525)
Benefit payments, including refunds	<u>(2,637,395)</u>	<u>(2,442,993)</u>
Net Change in Plan Fiduciary Net Position	628,402	612,095
Plan Fiduciary Net Position - Beginning of year	<u>1,737,928</u>	<u>1,125,833</u>
Plan Fiduciary Net Position - End of year	<u>\$ 2,366,330</u>	<u>\$ 1,737,928</u>
Net OPEB Liability - Ending	<u>\$ 47,452,483</u>	<u>\$ 49,310,045</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.75 %	3.40 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Three Fiscal Years
Years Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.3 %	7.9 %	13.5 %

City of Allen Park, Michigan

Required Supplemental Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
City of Allen Park Retiree Healthcare Plan

	Last Three Fiscal Years		
	Years Ended June 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	90.87438 %	90.76752 %	90.76752 %
City's proportionate share of the net OPEB liability	\$ 43,122,146	\$ 44,787,507	\$ 44,032,467
Plan fiduciary net position as a percentage of total OPEB liability	4.75 %	3.40 %	2.30 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ -	\$ -	\$ 5,848,567	\$ 5,848,567	\$ 5,848,567	\$ 5,955,493	\$ 5,955,493	\$ 8,651,503	\$ 5,319,708	\$ 7,841,453
Contributions in relation to the actuarially determined contribution	3,137,395	2,942,993	3,198,255	3,565,360	2,908,544	2,392,414	3,154,563	3,146,929	3,195,442	2,941,916
Contribution Excess (Deficiency)	\$ 3,137,395	\$ 2,942,993	\$ (2,650,312)	\$ (2,283,207)	\$ (2,940,023)	\$ (3,563,079)	\$ (2,800,930)	\$ (5,504,574)	\$ (2,124,266)	\$ (4,899,537)
Covered Employee Payroll	\$ 5,299,317	\$ 5,299,317	\$ 7,158,292	\$ 7,158,292	\$ 6,077,675	\$ 6,077,675	\$ 7,088,572	\$ 7,088,572	\$ 9,131,710	\$ 9,131,710
Contributions as a Percentage of Covered Employee Payroll	59.20 %	55.54 %	44.68 %	49.81 %	47.86 %	39.36 %	44.50 %	44.39 %	34.99 %	32.22 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, 18 months prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of pay)
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	Pre-65: 7.50 percent then graded down to 5.0 percent; Post-65: 5.0 percent
Salary increase	3.2 percent to 6.3 percent
Investment rate of return	3.50 percent
Retirement age	52-65 years
Mortality	RPH-2014 Adjusted to 2006
Other information	There was no actuarial required contribution computed for fiscal year 2018 or 2019

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Nonmajor Special Revenue Funds							Nonmajor Debt Service Fund	Nonmajor Capital Project Fund	Total
	Major Highway Fund	Local Highway Fund	Building Fund	Drug Law Enforcement Fund	Indigent Defense Fund	Library Fund	Rubbish Fund	Community Center Debt Fund	Capital Projects Fund	
Assets										
Cash and investments	\$ 800,222	\$ 1,069,401	\$ 1,154,354	\$ 143,332	\$ 130,421	\$ 202,392	\$ 127,483	\$ 256,764	\$ 296,746	\$ 4,181,115
Receivables - Due from other governmental units	354,872	128,263	-	-	-	93,598	-	-	-	576,733
Total assets	\$ 1,155,094	\$ 1,197,664	\$ 1,154,354	\$ 143,332	\$ 130,421	\$ 295,990	\$ 127,483	\$ 256,764	\$ 296,746	\$ 4,757,848
Liabilities										
Accounts payable	\$ 40,781	\$ 223,015	\$ 16,746	\$ 18,401	\$ -	\$ 13,946	\$ 2,812	\$ -	\$ 85,422	\$ 401,123
Refundable deposits, bonds, etc.	-	-	25,254	-	-	-	-	-	-	25,254
Accrued liabilities and other	-	-	11,513	-	-	17,170	-	-	-	28,683
Unearned revenue	-	-	-	-	130,421	-	-	-	-	130,421
Total liabilities	40,781	223,015	53,513	18,401	130,421	31,116	2,812	-	85,422	585,481
Fund Balances										
Restricted:										
Roads	1,114,313	974,649	-	-	-	-	-	-	-	2,088,962
Police	-	-	-	124,931	-	-	-	-	-	124,931
Debt service	-	-	-	-	-	-	-	256,764	-	256,764
Building	-	-	1,100,841	-	-	-	-	-	-	1,100,841
Library	-	-	-	-	-	264,874	-	-	-	264,874
Rubbish	-	-	-	-	-	-	124,671	-	-	124,671
Assigned - Capital projects	-	-	-	-	-	-	-	-	211,324	211,324
Total fund balances	1,114,313	974,649	1,100,841	124,931	-	264,874	124,671	256,764	211,324	4,172,367
Total liabilities and fund balances	\$ 1,155,094	\$ 1,197,664	\$ 1,154,354	\$ 143,332	\$ 130,421	\$ 295,990	\$ 127,483	\$ 256,764	\$ 296,746	\$ 4,757,848

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2019

	Nonmajor Special Revenue Funds						Nonmajor Debt Service Fund	Nonmajor Capital Project Funds	Total	
	Major Highway Fund	Local Highway Fund	Building Fund	Drug Law Enforcement Fund	Indigent Defense Fund	Library Fund	Rubbish Fund	Community Center Debt Fund		Capital Projects Fund
Revenue										
Property taxes	\$ -	\$ 1,442,902	\$ -	\$ -	\$ -	\$ 597,221	\$ 1,791,636	\$ 425,734	\$ -	\$ 4,257,493
Intergovernmental	2,252,192	914,515	-	1,217	-	135,098	90,912	21,155	252,777	3,667,866
Charges for services	-	-	1,485,029	-	-	-	-	-	-	1,485,029
Fines and forfeitures	-	-	-	186,586	-	10,017	-	-	-	196,603
Investment income	-	-	13,125	-	-	-	-	-	-	13,125
Other revenue	-	-	-	-	-	551	741	-	419,082	420,374
Total revenue	2,252,192	2,357,417	1,498,154	187,803	-	742,887	1,883,289	446,889	671,859	10,040,490
Expenditures										
Current services:										
General government	-	-	644,586	-	-	-	-	-	-	644,586
Public safety	-	-	-	214,498	-	-	-	-	-	214,498
Public works	1,152,806	1,910,535	-	-	-	-	1,945,137	-	-	5,008,478
Recreation and culture	-	-	-	-	-	629,398	-	-	-	629,398
Capital outlay	-	-	-	-	-	-	-	-	1,007,128	1,007,128
Debt service:										
Principal	-	-	-	-	-	-	-	200,000	214,556	414,556
Interest and fiscal charges	-	-	-	-	-	-	-	397,340	10,559	407,899
Total expenditures	1,152,806	1,910,535	644,586	214,498	-	629,398	1,945,137	597,340	1,232,243	8,326,543
Excess of Revenue Over (Under) Expenditures	1,099,386	446,882	853,568	(26,695)	-	113,489	(61,848)	(150,451)	(560,384)	1,713,947
Other Financing Sources (Uses)										
Transfers in	-	500,000	-	-	-	-	-	-	766,627	1,266,627
Issuance of refunding bonds	-	-	-	-	-	-	-	4,540,000	-	4,540,000
Debt premium	-	-	-	-	-	-	-	307,658	-	307,658
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	(4,679,456)	-	(4,679,456)
Total other financing sources	-	500,000	-	-	-	-	-	168,202	766,627	1,434,829
Net Change in Fund Balances	1,099,386	946,882	853,568	(26,695)	-	113,489	(61,848)	17,751	206,243	3,148,776
Fund Balances - Beginning of year	14,927	27,767	247,273	151,626	-	151,385	186,519	239,013	5,081	1,023,591
Fund Balances - End of year	\$ 1,114,313	\$ 974,649	\$ 1,100,841	\$ 124,931	\$ -	\$ 264,874	\$ 124,671	\$ 256,764	\$ 211,324	\$ 4,172,367

**Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2019

	Pension Trust Fund - December 31, 2018	Retiree Healthcare Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 1,435,037	\$ 3,144	\$ 1,438,181
Investments:			
Treasury bonds	6,689,490	-	6,689,490
Agency securities	1,030,651	-	1,030,651
Other fixed income	199,459	-	199,459
Mutual funds - Fixed income	4,166,110	679,324	4,845,434
Mortgage securities	524,017	-	524,017
Stocks	12,309,703	-	12,309,703
Corporate bonds	12,136,356	-	12,136,356
ETF - Equity	11,213,357	310,870	11,524,227
Mutual funds - Equity	32,991,537	1,368,278	34,359,815
Receivables - Accrued interest	171,465	4,685	176,150
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 82,867,182	\$ 2,366,301	\$ 85,233,483

**Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2019

	Pension Trust Fund - December 31, 2018	Retiree Healthcare Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 2,659,396	\$ 62,040	\$ 2,721,436
Net (decrease) increase in fair value of investments	(7,863,337)	76,820	(7,786,517)
Investment-related expenses	(111,247)	(9,670)	(120,917)
Total investment (loss) income	(5,315,188)	129,190	(5,185,998)
Contributions:			
Employer	2,646,084	3,137,395	5,783,479
Employee	465,864	-	465,864
Total contributions	3,111,948	3,137,395	6,249,343
Total (loss) additions	(2,203,240)	3,266,585	1,063,345
Deductions			
Benefit payments	7,320,046	2,637,395	9,957,441
Administrative expenses	35,382	788	36,170
Total deductions	7,355,428	2,638,183	9,993,611
Net (Decrease) Increase in Net Position Held in Trust	(9,558,668)	628,402	(8,930,266)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	92,425,850	1,737,899	94,163,749
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 82,867,182	\$ 2,366,301	\$ 85,233,483

City of Allen Park, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds

June 30, 2019

	Tax Collection Fund	Trust and Agency Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 100	\$ 285,539	\$ 285,639
Liabilities			
Accounts payable	\$ -	\$ 15,356	\$ 15,356
Due to other governmental units	100	-	100
Accrued liabilities and other	-	270,183	270,183
Total liabilities	\$ 100	\$ 285,539	\$ 285,639